

PERAC AUDIT REPORT



Braintree

Contributory Retirement System



JAN. 1, 2006 - DEC. 31, 2008



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MARY ANN BRADLEY | PAUL V. DOANE | JAMES M. MACHADO | DONALD R. MARQUIS | ROBERT B. MCCARTHY

JOSEPH E. CONNARTON, *Executive Director*

September 30, 2009

The Public Employee Retirement Administration Commission has completed an examination of the Braintree Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2006 to December 31, 2008. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission, with the exception of those noted in the findings presented in this report.

It should be noted that the findings determined in this audit report were based on the Laws and Regulations in effect during the time the audit was conducted for the period referenced in this report. These findings do not reflect the changes made to Chapter 32 after passage of Chapter 21 of the Acts of 2009.

In closing, I acknowledge the work of examiners John J. Shea and James M. Ryan who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

I. Bank Reconciliations:

The Bank of America Retiree Payroll account has not been reconciled by the Town Treasurer since November 30, 2008. This delay is primarily due to a re-structuring of the Treasury Department which has left key positions in a re-training mode.

Recommendation:

The Town Treasurer shall be the custodian of the retirement system's funds according to G.L. c.32, § 23(2)(a). As custodian of the retirement fund, the Treasurer is obligated to perform a monthly reconciliation of all retirement system cash accounts. This process is necessary to maintain proper internal control of the retirement system by segregating reconciliatory duties. The Treasurer must forward the appropriate paperwork, (bank statement, reconciliation, and outstanding check list) to the Retirement Board on a monthly basis. The Board must ensure that the Treasurer fulfills his/her obligation as custodian of the fund. Further, the Treasurer must comply with G.L. c. 41, § 35 dealing with the Treasurer's duties.

Board Response:

The Board has forwarded PERAC's finding and recommendation to the Town of Braintree's Director of Municipal Finance. His comment is the following :

"We agree that bank reconciliations are an important part of the Braintree Retirement System's internal controls. Staffing issues caused the delay. We are working to correct this issue. December 2008 and January 2009 bank statements and reconciliations are attached. We will work to provide these on a timely basis."

As of mid-August the Retirement Office has indeed received reconciliations through January 2009, and believes that the Town is continuing in its efforts to provide this office with reconciliations. It is the Board's understanding that staff shortages still exist and that this process may experience more delays.

2. Retiree Payroll and Vendor Monthly Wire Transfer:

The Treasurer's office initiates the monthly wire transfer from the Bank of America Savings Account to the Bank of America Checking Account for Retiree Payroll and Vendor Payments. However, there is no timely confirmation by the Treasurer to the Retirement Board that the monthly transfer has been processed. Due to this internal control weakness, the February 2009 transfer was not made in a timely manner which resulted in Retiree Payroll checks being overdrawn on the bank account.

Recommendation:

The monthly Retiree Payroll Wire Transfer Process requires verification between the Treasurer and the Director of Retirement. Verification of the transfer will ensure that all payments will be made against available funds. The Town Treasurer's office will continue to process the transfer.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Board Response:

The Board has forwarded PERAC's finding and recommendation to the Town of Braintree's Director of Municipal Finance. His comment is the following:

"Staffing issues in the Treasurer's office has caused changes and communication not to be the best it can be. The Town is working on it. We agree and will notify the Board of the transfers to fund the monthly payroll and vendor bills."

Since the February of 2009 mishap, the Retirement Director emails the Braintree Director of Municipal Finance after both the monthly payroll and vendor warrant are submitted to the Treasurer's office to ask that the wire transfer be made. In July of 2009, the Director of Municipal Finance instituted a spreadsheet, which he will continue to forward to the Retirement Director each month, demonstrating the transaction number of the wire transfer and the date said transaction took place.

3. Business Continuity / Disaster Recovery Plan:

The Braintree Retirement System does not have a written Business Continuity/Disaster Recovery Plan. The Braintree Retirement Board occupies space on the second floor of a town-owned building located at 74 Pond Street. The System's membership files are primarily hard copy files. Some older files are located at Town Hall with the majority located in the Retirement Board Offices. There is one fireproof safe in which meeting minutes and software are stored. All computer hardware and manual membership files are stored in the Braintree Retirement System facilities.

Recommendation:

It is important that the Braintree Retirement System develop a Business Continuity/Disaster Recovery Plan. In today's environment, a business interruption caused by intentional or unplanned acts is an imminent business risk. The plan should address all risks to the disruption of business, and include comprehensive Service Level Agreements with key vendors. Furthermore, consideration should be given to converting hard copy membership documents into a paperless environment and backing up the documents off-site. After the plans are developed, they should be tested to ensure their effectiveness. Numerous Retirement Systems have successfully implemented these tasks.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Board Response:

While the Board has no written Business Recovery Plan, the office has a practice of software backup, whereby a copy is housed in the fire proof safe, and a weekly backup is housed offsite. At this time, with the limited software available to the System, this the best practice. Hard copies of Retirement files are no longer housed at the Town Hall, but remain on site. The Board is in the process of researching viable electronic alternatives to storing and retrieving all relevant data and will need to analyze the costs involved to implement an effective Recovery Plan. The Board has assigned this task to the Director as a performance goal.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2008	2007	2006
Net Assets Available For Benefits:			
Cash	\$2,979,362	\$3,650,473	\$4,475,249
Short Term Investments	0	0	0
Fixed Income Securities	0	0	0
Equities	0	0	24,363,210
Pooled Domestic Equity Funds	21,369,537	35,268,894	20,006,046
Pooled International Equity Funds	13,203,127	19,295,677	20,107,765
Pooled Domestic Fixed Income Funds	45,564,915	48,576,234	44,581,767
Pooled Alternative Investment Funds	5,554,480	5,101,610	0
Pooled Real Estate Funds	4,361,230	7,118,149	6,593,592
PRIT Cash Fund	0	0	0
PRIT Core Fund	15,610,402	22,281,588	13,519,880
Interest Due and Accrued	0	0	0
Accounts Receivable	36,912	53,890	365,593
Accounts Payable	(26,190)	(996)	(38,911)
Total	<u>\$108,653,775</u>	<u>\$141,345,518</u>	<u>\$133,974,191</u>
Fund Balances:			
Annuity Savings Fund	\$32,274,673	\$30,913,764	\$29,676,851
Annuity Reserve Fund	11,740,724	11,004,277	10,308,409
Pension Fund	1,848,728	1,652,254	0
Military Service Fund	1,492	1,483	1,475
Expense Fund	0	0	0
Pension Reserve Fund	62,788,157	97,773,740	93,987,457
Total	<u>\$108,653,775</u>	<u>\$141,345,518</u>	<u>\$133,974,191</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2006)	\$27,392,925	\$10,440,330	\$1,335,291	\$1,465	\$0	\$80,528,756	\$119,698,767
Receipts	3,591,461	311,192	6,429,213	9	931,154	15,124,543	26,387,572
Interfund Transfers	(890,388)	897,796	1,658,433	0	0	(1,665,842)	0
Disbursements	(417,147)	(1,340,910)	(9,422,937)	0	(931,154)	0	(12,112,149)
Ending Balance (2006)	29,676,851	10,308,409	0	1,474	0	93,987,457	133,974,191
Receipts	3,385,099	318,250	6,653,989	9	1,046,240	8,643,835	20,047,421
Interfund Transfers	(1,784,482)	1,786,447	4,855,586	0	0	(4,857,552)	0
Disbursements	(363,704)	(1,408,829)	(9,857,321)	0	(1,046,240)	0	(12,676,094)
Ending Balance (2007)	30,913,764	11,004,277	1,652,254	1,483	0	97,773,740	141,345,518
Receipts	3,960,736	338,309	6,804,144	9	803,146	(31,036,499)	(19,130,155)
Interfund Transfers	(2,002,087)	2,002,087	3,949,084	0	0	(3,949,084)	0
Disbursements	(597,740)	(1,603,949)	(10,556,754)	0	(803,146)	0	(13,561,589)
Ending Balance (2008)	<u>\$32,274,673</u>	<u>\$11,740,724</u>	<u>\$1,848,728</u>	<u>\$1,492</u>	<u>\$0</u>	<u>\$62,788,157</u>	<u>\$108,653,775</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Annuity Savings Fund:			
Members Deductions	\$3,258,768	\$3,073,757	\$2,877,879
Transfers from Other Systems	491,587	125,540	356,971
Member Make Up Payments and Re-deposits	25,992	14,133	135,981
Member Payments from Rollovers	7,748	1,980	60,086
Investment Income Credited to Member Accounts	<u>176,641</u>	<u>169,689</u>	<u>160,544</u>
Sub Total	<u>3,960,736</u>	<u>3,385,099</u>	<u>3,591,461</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>338,309</u>	<u>318,250</u>	<u>311,192</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	155,374	151,881	149,829
	306,605	338,143	348,604
Pension Fund Appropriation	<u>6,342,165</u>	<u>6,163,965</u>	<u>5,930,780</u>
Sub Total	<u>6,804,144</u>	<u>6,653,989</u>	<u>6,429,213</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited to the Military Service Fund	<u>9</u>	<u>9</u>	<u>9</u>
Sub Total	<u>9</u>	<u>9</u>	<u>9</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>803,146</u>	<u>1,046,240</u>	<u>931,154</u>
Sub Total	<u>803,146</u>	<u>1,046,240</u>	<u>931,154</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	54,357	52,266	50,446
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	2,451	1,096	3,310
Miscellaneous Income	18,162	48,631	12,667
Excess Investment Income (Loss)	<u>(31,111,469)</u>	<u>8,541,841</u>	<u>15,058,121</u>
Sub Total	<u>(31,036,499)</u>	<u>8,643,835</u>	<u>15,124,543</u>
Total Receipts	<u>(\$19,130,155)</u>	<u>\$20,047,421</u>	<u>\$26,387,572</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2008	2007	2006
Annuity Savings Fund:			
Refunds to Members	\$224,695	\$174,536	\$293,337
Transfers to Other Systems	<u>373,044</u>	<u>189,168</u>	<u>123,811</u>
Sub Total	<u>597,740</u>	<u>363,704</u>	<u>417,147</u>
Annuity Reserve Fund:			
Annuities Paid	1,539,715	1,408,829	1,304,673
Option B Refunds	<u>64,234</u>	<u>0</u>	<u>36,237</u>
Sub Total	<u>1,603,949</u>	<u>1,408,829</u>	<u>1,340,910</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	6,747,579	6,304,554	5,753,538
Survivorship Payments	682,983	545,337	510,103
Ordinary Disability Payments	214,979	172,095	168,956
Accidental Disability Payments	1,802,277	1,772,322	1,985,085
Accidental Death Payments	743,692	730,818	677,299
Section 101 Benefits	52,467	53,587	47,635
3 (8) (c) Reimbursements to Other Systems	228,316	207,383	210,665
State Reimbursable COLA's Paid	84,463	71,225	69,655
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>10,556,754</u>	<u>9,857,321</u>	<u>9,422,937</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	0	0	0
Salaries	158,720	159,669	137,436
Legal Expenses	13,648	19,887	12,593
Medical Expenses	0	20	20
Travel Expenses	5,904	4,564	4,659
Administrative Expenses	37,675	28,405	28,944
Furniture and Equipment	1,524	14,730	61
Management Fees	423,228	647,042	596,622
Custodial Fees	70,477	84,798	81,635
Consultant Fees	65,000	60,000	50,000
Rent Expenses	0	0	0
Service Contracts	19,480	19,867	12,564
Fiduciary Insurance	<u>7,489</u>	<u>7,258</u>	<u>6,622</u>
Sub Total	<u>803,146</u>	<u>1,046,240</u>	<u>931,154</u>
Total Disbursements	<u>\$13,561,589</u>	<u>\$12,676,094</u>	<u>\$12,112,149</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2008	2007	2006
Investment Income Received From:			
Cash	\$57,851	\$333,730	\$181,849
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	38,595	322,719	375,861
Pooled or Mutual Funds	3,492,645	2,784,569	2,461,144
Commission Recapture	0	0	0
Total Investment Income	<u>3,589,091</u>	<u>3,441,017</u>	<u>3,018,855</u>
Plus:			
Realized Gains	299,437	4,819,351	3,379,091
Unrealized Gains	9,780,737	12,147,834	15,315,710
Interest Due and Accrued- Current Year	0	0	0
Sub Total	<u>10,080,174</u>	<u>16,967,184</u>	<u>18,694,801</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(1,653,737)	(2,208,888)	(344,152)
Unrealized Loss	(41,808,891)	(8,123,285)	(4,908,485)
Interest Due and Accrued- Prior Year	0	0	0
Sub Total	<u>(43,462,628)</u>	<u>(10,332,173)</u>	<u>(5,252,636)</u>
Net Investment Income (Loss)	<u>(29,793,364)</u>	<u>10,076,029</u>	<u>16,461,019</u>
Income Required:			
Annuity Savings Fund	176,641	169,689	160,544
Annuity Reserve Fund	338,309	318,250	311,192
Military Service Fund	9	8	9
Expense Fund	803,146	1,046,240	931,154
Total Income Required	<u>1,318,105</u>	<u>1,534,187</u>	<u>1,402,899</u>
Net Investment Income (Loss)	<u>(29,793,364)</u>	<u>10,076,029</u>	<u>16,461,019</u>
Less: Total Income Required	<u>1,318,105</u>	<u>1,534,187</u>	<u>1,402,899</u>
Excess Income(Loss) To The Pension Reserve Fund	<u>(\$31,111,469)</u>	<u>\$8,541,842</u>	<u>\$15,058,121</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2008			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$2,979,362	2.7%	100%
Pooled Domestic Equity Funds	21,369,537	19.7%	20-30%
Pooled International Equity Funds	13,203,127	12.2%	10-18%
Pooled Domestic Fixed Income Funds	45,564,915	41.9%	26-36%
Pooled Alternative Investment Funds	5,554,480	5.1%	3-8%
Pooled Real Estate Funds	4,361,230	4.0%	2-6%
PRIT Cash Fund	0	0.0%	100%
PRIT Core Fund	<u>15,610,402</u>	<u>14.4%</u>	100%
Grand Total	<u>\$108,643,053</u>	<u>100.0%</u>	

For the year ending December 31, 2008, the rate of return for the investments of the Braintree Retirement System was -21.35%. For the five-year period ending December 31, 2008, the rate of return for the investments of the Braintree Retirement System averaged 2.99%. For the twenty-four year period ending December 31, 2008, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Braintree Retirement System was 8.45%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Braintree Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

April 10, 2003

17.04 (6)

The Braintree Retirement Board may enter into a contract with Eubel Brady & Suttman Asset Management and the trading activities of that firm shall not be construed as violating Investment Regulation 17.04 (6). While there may be some instances where some trades executed on behalf of the Board do not have priority over those executed for the firm's interests, there will be no instances where the firm's interests have priority over those of the Board. The requirement that the Board be given adequate opportunity to act on a recommendation by the manager before the firm acts on its own behalf is of limited practicality since the Board will be giving the manager discretionary authority to execute trades based on their professional judgment. In summary, the Board sees no substantial basis to question whether EBS will be in violation of the fundamental requirement that "personal transactions do not operate adversely to the board's interest."

August 13, 1997

20.03(1)

Equity investments shall not exceed 60% of the portfolio valued at market, including international equities, which shall not exceed 15% of the portfolio valued at market.

December 21, 1995

20.07(9)

Metric Apartment Co-Investment Trust; (MAC Trust)

Commingled real estate shall not exceed 10% of the total book value of the portfolio at the time of purchase provided that:

- a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
- b) such personnel retain authority in the decision making process, and
- c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

October 12, 1995

20.04(1)

United States based corporations and equities of foreign corporations.

20.07(5)

Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

September 23, 1986

20.06(8)

Sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve month period, excluding cash and short term obligations.

20.07(6)

Sales of equity investments shall not exceed 150% of the average market value of all equity holdings in any twelve month period.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Braintree Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$708.60 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Braintree Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

December 6, 2004

Prior Service/Make-ups:

1. When purchasing prior part-time service, one must be an "active member" at the time of requests and repayment.* If total hours worked cannot be obtained, then a W-2 shall be supplied by the applicant. An attempt should be made to acquire the Wage and Salary form from the Personnel Department. The Board should attempt to assess the hourly wage, divide by the W-2 and determine the yearly hours worked.

* This Regulation is an amendment to the January 6, 2004 Prior Service/Make-ups supplemental regulation I.

January 6, 2004

Eligibility:

1. Membership is mandatory for all* hired or appointed employees of the Town of Braintree who are employed twenty (20) hours or more per week on a regular basis for a period of time exceeding six (6) months, with the exception of those employees who attain the age of 70, upon which membership becomes voluntary.
2. Those Employees whose salaries are funded through a Federal or State Grant and are employed for twenty (20) hours or more per week are allowed membership into the System. All departments with Grant Employees shall reimburse the Braintree Retirement System on an annual basis of 9% of the total Grant Employees' salary.

** Town of Braintree Teachers who qualify for membership to Massachusetts Teachers' Retirement System are excluded from the Braintree Retirement System.*

Service Credit:

1. Credit will be granted on the basis of one (1) year, for a member in service who is employed in a full time capacity, as mandated for that position. (see addendum)
2. In the case of school employees whose position requires them to work from approximately September 01 to approximately June 30, said employees shall receive one (1) month of creditable service for each full month the employee is receiving regular compensation. Said employees shall be granted one (1) full year of service credit if they return to that position the following September. They shall be granted credit only for the months worked if they do not return after summer break.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

3. For a member in service who is employed in part-time capacity throughout their entire career while an employee of the Town of Braintree, said employee will receive one year of creditable service for each full calendar in which the employee is receiving regular compensation for said service.
4. For a member in service who is employed in both a part-time capacity and full time capacity simultaneously, the member shall be pensioned on both positions but shall receive no more than one year of full time service for each calendar year.
5. Five (5) years maximum credit will be allowed to reserve or permanent intermittent police officers, or permanent intermittent or call firefighters, if they gain employment in a *qualified position* eligible for membership to the system, consistent with the provision of M.G.L. c. 32 § 4(2) (b).
6. Any member in service who regularly receives full time credit, but has had hours eliminated from the position due to budgetary constraints, shall continue to receive full time credit with the Braintree Retirement System.

Prior Service/Make-ups:

1. When purchasing prior part-time service, if total hours worked cannot be obtained, then a W-2 shall be supplied by the applicant. An attempt should be made to acquire the Wage and Salary form from the Personnel Department. The Board should attempt to assess the hourly wage, divide by the W-2 and determine the yearly hours worked.
2. Former Comprehensive Employment Training Act (CETA) Employees who have provided service to the Town of Braintree, and can provide documentation of same, are eligible for membership in the Braintree Retirement System if they meet current requirements for membership.
3. Make-up payments are allowed for members who previously worked less than part-time and were ineligible for membership. Credit will be prorated as it relates to the *position* held at time of prior service. Prior service credit shall not be granted for a partial month.
4. Make-up payments of prior service shall be received in a lump sum payment, or in weekly installments with the repayment period not to exceed two years, except cases of hardship as determined by the Board. Once the agreement is made to repay no further interest shall be accrued.
5. Make-up payments of prior military service shall be received in a lump sum payment, or in minimum weekly installments of \$35, with the repayment period not to exceed five years, except in cases of hardship as determined by the Board.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

6. Upon written request, and proper documentation of prior service, prior service for permanent intermittent police officers, or permanent intermittent or call firefighters who are subsequently appointed to the respective department as a permanent full time employee, shall be granted credit for each full year served [up to the maximum allowed by law], without repayment to the system.

Deductions shall be withheld from all members' payroll checks in accordance with M.G.L. c. 32, §22(1).

Disbursement of Funds:

1. Disbursement of retiree payroll funds shall be authorized by signatures of any two (2) members of the Retirement Board, or one (1) member, and the Director per M.G.L. c. 32 §23 (2).
2. Disbursement of any funds other than retiree payroll shall be authorized by signatures of the majority of the Board.

Addendum:

Service Credit

Full time *Positions* Qualify as:

Clerical, and Department Heads - Seven (7) hour days; Thirty Five (35) hour work week,

Laborers - Eight (8) hour days; Forty (40) hour work week

Crossing Guards - Four (4) hour days; Twenty (20) hour work week

School Cafeteria Staff -Six (6) hour days; Thirty (30) hour work week.

Braintree Retirement System Creditable Service

Buy Back of prior service formula:

Examples:

An employee works a total of 480 hours as an intermittent school lunch staffer. She/he requests to buy this time back when she/he becomes permanent lunch staff

Calculation:

480 hours / 6 hours in a day / 21.6 work days in a month = 3 months of creditable service to be granted.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

An employee works a total of 1,850 hours as a part-time (non member) clerical and now has been made full time clerical.

Calculation:

1,850 hours / 7 hours in a day / 21.6 work days in a month = 12 months of creditable service to be granted.

An employee works a total of 480 hours as an intermittent school lunch staffer. She/he becomes a laborer and requests to buy this prior service time as a school lunch staffer.

Calculation:

480 hours / 6 hours in a day / 21.6 work days in a month = 3 months of creditable service to be granted.

Note: Service time to be granted based on *position* held at time of prior service, not based on new position.

September 27, 2002

Travel Regulations:

The Board has adopted Travel Supplemental Regulations under the provisions of M.G.L. c.7, § 50 and M.G.L. c.32, § 21(4). (Regulation available upon written request)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement. The Braintree Retirement Board has adopted a local option under G.L. c. 32, § 20(4)(c). The Board consists of a first and second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by PERAC after being nominated by the other four board members.

Appointed Member:	Frederick T. Viola	Term Expires:	11/18/2010
Appointed Member:	Paul C. McSoley	Term Expires:	11/06/2009
Elected Member:	Gerald J. Kenny Jr. Chairman	Term Expires:	06/30/2011
Elected Member:	Phyllis A. DiPalma	Term Expires:	06/30/2011
Appointed Member:	Edward Dowd Clerk	Term Expires:	02/28/2012

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$50,000,000 Fiduciary Liability
Appointed Members:)	\$1,000,000 Fidelity (ERISA) Bond
Elected Members:)	MACRS Policy
Appointed Member:)	St. Paul Travelers, National Union
Staff Employees:)	Fire and Arch

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2008.

The actuarial liability for active members was	\$ 86,927,118
The actuarial liability for inactive members was	920,978
The actuarial liability for retired members and beneficiaries was	<u>101,417,874</u>
The total actuarial liability was	189,265,970
System assets as of that date were	<u>141,345,518</u>
 The unfunded actuarial liability was	 <u>\$ 47,920,452</u>
The ratio of system's assets to total actuarial liability was	74.7%
As of that date the total covered employee payroll was	\$ 33,893,980

The normal cost for employees on that date was 8.80% of payroll

The normal cost for the employer was 5.00% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 7.88% per annum

Rate of Salary Increase: 4.75% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2008	\$141,345,518	\$189,265,970	\$47,920,452	74.7%	\$33,893,980	141.4%
1/1/2006	\$119,721,733	\$167,313,371	\$47,591,638	71.6%	\$30,861,000	154.2%
1/1/2004	\$103,345,161	\$151,323,646	\$47,978,485	68.3%	\$29,450,291	162.9%
1/1/2002	\$ 91,926,614	\$132,849,860	\$40,923,246	69.2%	\$28,775,379	142.2%
1/1/2000	\$ 89,822,248	\$117,318,111	\$27,495,863	76.6%	\$24,276,115	113.3%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Retirement in Past Years										
Superannuation	12	24	14	21	18	24	11	15	18	22
Ordinary Disability	0	1	0	1	1	0	0	0	0	2
Accidental Disability	1	5	1	3	4	3	3	1	2	0
Total Retirements	13	30	15	25	23	27	14	16	20	24
Total Retirees, Beneficiaries and Survivors	476	481	473	483	484	498	495	483	509	510
Total Active Members	690	711	745	754	732	733	799	809	864	749
Pension Payments										
Superannuation	\$3,416,949	\$3,550,225	\$3,761,142	\$4,072,994	\$4,482,327	\$4,680,129	\$5,454,847	\$5,753,538	\$6,304,554	\$6,747,579
Survivor/Beneficiary Payments	368,838	380,387	374,351	372,029	430,058	448,789	452,250	510,103	545,337	682,983
Ordinary Disability	132,320	131,171	121,149	134,956	203,690	206,078	184,935	168,956	172,095	214,979
Accidental Disability	833,370	885,866	999,190	1,043,071	1,379,566	1,546,811	1,714,665	1,985,085	1,772,322	1,802,277
Other	727,434	782,134	789,793	1,059,366	901,941	1,298,823	978,923	1,005,255	1,063,014	1,108,938
Total Payments for Year	<u>\$5,478,911</u>	<u>\$5,729,783</u>	<u>\$6,045,625</u>	<u>\$6,682,416</u>	<u>\$7,397,582</u>	<u>\$8,180,630</u>	<u>\$8,785,620</u>	<u>\$9,422,937</u>	<u>\$9,857,321</u>	<u>\$10,556,754</u>

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